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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

September 13, 2010

TO: Internal File

THRU: Ingrid Campbell, Lead *IC*

FROM: Peter Hess, Environmental Scientist III *PHH by S&S*

RE: Phase II and III bond release Fan Portals, Energy West Mining Co., Cottonwood/Wilberg, Permit # C/015/0019 and Project #3600

SUMMARY:

The Permittee submitted an application to apply for a Phases II and Phase III release of 7.47 acres of disturbance on the east side of Cottonwood Canyon, south of the tube conveyor from the Trail Mountain Mine. The surface area is owned by the Church of Jesus Christ of Latter Day Saints.

The legal description of the area is the E ½ of Section 25, Township 17 South, Range 6 East, SLBM. The Division has scheduled a bond release inspection for this site on August 31, 2010.

Phase II and Phase III bond release should be approved for the fan portal area.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

Three areas of disturbance are associated with the Cottonwood / Wilberg Mine in or adjacent to Cottonwood Canyon, they are:

- 1) the Miller Canyon portals (See Task ID # 3594, Phases II & III Bond Release Application);
- 2) the Cottonwood Fan Portal area; and
- 3) the Cottonwood Canyon Diesel and Tube conveyor portals (Overland Conveyor).

The area which is being proposed for a Phase II and Phase III release, and the subsequent incremental reduction in the amount of reclamation bond is the Cottonwood Fan Portal area, which consists of 7.47 acres of disturbance.

The Division last updated the reclamation bond for the Cottonwood / Wilberg Mine in May of 2007 during the midterm permit review, Task ID # 2830. The bond summary for the updated calculations can be found in the Cottonwood / Wilberg MRP, Volume 2, Part 4, Appendix C, Bond Summary Page. This information breaks down the demolition, backfilling and grading and re-vegetation costs for each main disturbed area associated with this site.

Form of Bond

The \$3,252,000.00 bond which is held by the Division to ensure the reclamation of the Cottonwood / Wilberg Mine is a Surety bond, with the Principal Holder being the Travelers Casualty and Surety Company of America. This Surety has an A.M. Best rating of "A+".

Determination of Bond Amount

The Task ID # 3600 application is asking for an incremental bond reduction in the amount of \$ 109,791.00. This figure is based upon the escalation of the direct (earthwork and revegetation) costs determined in the Task ID # 2830 Midterm Permit Review escalated to 2010 dollars using the .005 escalation factor provided by the Office of Surface Mining. Indirect costs are also included in the incremental amount which is being requested for release.

If the Division determines that the reclamation work at the Cottonwood / Wilberg Fan Portal area meets all requirements of the R645 Coal Mining Rules, the incremental bond reduction of \$ 109,791.00 will reduce the remaining bond to \$ 3,142,832.00 (2012 dollars).

Findings:

The Division held a field inspection of the Cottonwood Fan Portal area on August 31, 2010. The list of attendees included representatives of the Office of Surface Mining / Denver, Colorado, the Church of Jesus Christ of Latter Day Saints (surface landowners), Energy West Mining Company, the BLM, and the Division.

None of the parties present identified any issues relevant to the accomplished reclamation. The Division **should approve** the incremental bond reduction of \$ 109,791.00 for the Permittee.

RECOMMENDATIONS:

The Division **should approve** the incremental bond reduction of \$ 109,791.00 for the Permittee.